



Queensland Policy Platform

Creating a Healthy and Sustainable Mining Industry in Queensland

ASSOCIATION OF MINING AND EXPLORATION COMPANIES

March 2012

Page deliberately left blank

Contents

| | |
|---|---|
| Contents | 1 |
| Introduction | 2 |
| Executive Summary | 2 |
| Recommendations | 3 |
| Enabling Policy and Legislative Framework | 3 |
| Develop a Mineral Resources Policy | 4 |
| Establish a Mining Industry Advisory Committee | 4 |
| Develop a 'Good Neighbour Policy' | 4 |
| Review government administration of exploration and mining..... | 5 |
| Ongoing review of the Environmental Protection Act and mining legislation | 5 |
| Commit to extending the Smart Mining – Future Prosperity Program..... | 5 |
| Review and reduce the high government fees and charges on mineral exploration activities..... | 6 |
| APPENDIX 1..... | 9 |

Association of Mining and Exploration Companies (Inc)

6 Ord Street, West Perth WA 6005 PO Box 948, West Perth WA 6872
Ph: 1300 738 184 Fax: 1300 738 185 info@amec.org.au www.amec.org.au

Introduction

The Association of Mining and Exploration Companies (AMEC) is the peak national industry body for mineral exploration and mining companies within Australia. The membership of AMEC comprises over 330 explorers, emerging miners and the companies servicing them.

AMEC's strategic objective is to secure an environment that provides certainty and clarity for mineral exploration and mining in Australia in a commercially, politically, socially and environmentally responsible manner.

Whilst a significant improvement on its rank from the 2010/2011 result, the highly respected Canadian Fraser Institute in its 2011/2012 review of mining jurisdictions has confirmed that Queensland is 4th position of all Australian States and Territories, and is sitting in 28th position out of a possible 93 jurisdictions throughout the world, when it's policies are compared internationally.

However, further analysis shows that Queensland has slipped dramatically as a preferred destination for mining and investment since the 2006/2007 survey, when Queensland was placed 2nd in Australia and 8th out of 65 international jurisdictions surveyed that year.

While AMEC welcomes the improvement, extensive urgent reform still needs to be undertaken in order to restore Queensland's previous position as an attractive jurisdiction for exploration and mining investment.

It is not enough to say that Queensland is rich in resources and investment will naturally flow to the state. Australia, and indeed Queensland does not have a monopoly on the earth's mineral resources. While it has enjoyed a prestigious position as one of the world's major producers and investment destinations, this position is fast being eroded by the entrance of new mineral producing provinces from emerging mineral producing countries. However, Australia is significantly under explored and for that reason still holds huge mineral potential.

Failure to take policy action now will undoubtedly result in a further reduction in the global standings, and mobile investment opportunities will continue to be directed towards other domestic and overseas projects.

Executive Summary

AMEC is seeking a commitment from the Queensland Government on the following key policy initiatives:

- Reassert Queensland's position as a preferred destination for mineral exploration and mining,
- Reduce red and green tape by promoting sound investment conditions, and
- Provide a level playing field to allow smaller mineral explorers and miners to be competitive.

The aim of this document is to identify key policy initiatives for a healthy and sustainable mining and mineral exploration industry in Queensland.

Recommendations

Reassert Queensland's position as a preferred destination for exploration and mining

In order for this to be achieved AMEC seeks commitments to:

- **Develop a Mineral Resources Policy** that addresses land access and other issues and recognises the immense economic and social dividends that mineral resource development brings to the whole community.
- **Establish a Mining Industry Advisory Committee** to improve decision making, communication and understanding between government and industry.

Reduce red and green tape by promoting sound investment conditions

In order for this to be achieved AMEC seeks commitments to:

- **Disband the government departments DEEDI and DERM** with the intention of removing inefficiencies and duplications, including reducing the excessive, burden of reporting and approvals now required for low impact minerals exploration activities.
- **An urgent review of the Environmental Protection Act and mining legislation**
- **Repeal or significantly amend Wild Rivers Legislation** to allow landholders, indigenous native title holders, local communities and mineral mining and exploration companies to benefit from development of the state's resources.
- **Amend strategic cropping legislation** to enable landholders to apply to have their property exempt from the provisions preventing mining.

Provide a level playing field to allow smaller mineral explorers and miners to be competitive

In order for this to be achieved AMEC seeks commitments to:

- **Commit to extending the Smart Mining – Future Prosperity Program** including a co-funded drilling incentive scheme with industry.
- **Review and reduce the high government fees and charges on mineral exploration activities**, recognising that such fees reduce the dollars available for effective and much needed exploration activity which provides many of the projects that will eventually grow into mines.

Enabling Policy and Legislative Framework

AMEC recommends that the Queensland Government should develop and immediately implement an enabling public policy and legislative framework that provides:

- clarity and certainty for business and investment decision making;
- reasonable and transparent timelines for development approval processes; and
- open and frank consultation processes.

Such a framework is fundamental to creating a healthy and sustainable mining and minerals exploration sector in Queensland. In order for this to be achieved it is essential that this policy framework addresses the following key areas.

Develop a Mineral Resources Policy

In order to provide clarity and certainty for all stakeholders (including government agencies) the Queensland Government should clearly define its strategic vision and policy for economic and social development, with reference to the State's minerals resources.

Such a policy will provide significant assistance and guidance for the investment decision making and development approval processes.

The policy should clearly address (but not limited to) land access and other issues such as:

- Balancing the interaction, multi-use and harmonisation between industry development and protection of environmental values,
- Ensure that the Wild Rivers legislation and associated policies do not unnecessarily sterilise mining and exploration activities where significant social and economic benefits are available,
- Ensure that the Strategic Land Cropping policy does not unnecessarily sterilise mining and exploration activities where significant social and economic benefits are available,
- Amend the Land Access Code to enable a schedule to apply on grazing land,
- Lifting the ban on uranium mining,
- Provision of a stable, transparent and predictable royalties regime,
- Strategic infrastructure planning in order to meet industry requirements,
- Implementation of a workforce planning strategy for the minerals sector,
- Promotion of indigenous employment and training.

Establish a Mining Industry Advisory Committee

The overall importance of the mining and minerals exploration industry in Queensland is neither well understood fully appreciated or recognised by government or the community.

Full and transparent consultation on such issues as environmental and cultural heritage approvals, mining and related legislation and regulation amendments, royalties, fees and charges, agency processes and procedures, guidance material etc is therefore an essential initiative and needs to be implemented as standard practice.

In order for this to be achieved a high level industry advisory committee reporting to the Minister should be urgently established as it will enhance the consultative and decision making processes, and ensure due diligence and transparency.

Such a committee should comprise key industry and government stakeholders and meet at least on a quarterly basis.

Develop a 'Good Neighbour Policy'

The mining and minerals exploration industry in Queensland has a strong desire to foster good relationships with all stakeholders (particularly the farming community), including those that may have a direct interest in an area that may be subject to mining or exploration activities.

Mining and exploration activities can co-exist with other land uses and land users without undue interference, provided that the needs of all parties are recognised, understood and respected.

AMEC is therefore anxious to develop a collaborative 'Good Neighbour Policy' that clearly articulates objectives, rights, responsibilities, communication processes and dispute protocols. In making this recommendation AMEC is aware that a Land Access Code was developed by the Government in 2009/2010, however that Code has taken a 'one size fits all approach' and has not sufficiently acknowledged the significant differences between preliminary / low impact exploration activities; advanced / high impact exploration activities; and mining – all of which have different impacts on the landholder and require different industry responses.

AMEC considers that such a policy would also encourage proper, informed and rational discussion at the community level.

In order for this to be achieved AMEC considers that the government should facilitate an ongoing programme of community meetings to discuss issues that have potential to impact on the economic, social and environmental values of the state, and individual regions. Examples of this would be for the minister, government officers, industry, local councils, farming industry bodies and local communities to hold a forum to discuss what the issues are, such as the Cougar Energy matter in 2010. This matter ultimately led to the sterilisation of thousands of square kilometres of prospective land and the imposition of severe access restrictions and huge increases in the cost of exploring right across Queensland.

Review government administration of exploration and mining

Action to streamline the approvals process continues to be taken at various State and Territory levels, however, further initiatives need to be developed and implemented in Queensland with specific emphasis on environmental approval and cultural heritage processes (AMEC notes a recent review of Cultural Heritage Legislation and awaits positive outcomes and improvements from that process).

There is an urgent need to conduct a review of government administration of minerals exploration and mining with the intention of removing inefficiencies and duplications in associated legislation, practices and procedures; and the development of transparent, published and accessible timelines and decision making processes that recognize the significant economic and social dividends that are available.

During the conduct of the review the Government should recognise the significant imposts and disproportionate barriers to entry faced by junior minerals explorers and smaller mid tier mining companies.

Ongoing review of the Environmental Protection Act and mining legislation

AMEC notes that environmental and mining legislation is the subject of ongoing formal review however it becomes necessary from time to time to make procedural and operational amendments to the legislation and regulation to meet changing circumstances.

It is therefore proposed that such an ongoing critical review should be undertaken through the proposed Mining Industry Liaison Committee.

Commit to extending the Smart Mining – Future Prosperity Program

AMEC considers that Australia's reputation for the provision of high quality pre-competitive geoscience products and services used by industry to make mineral discoveries is due in large part to the significant role played by Geoscience Australia (GA) and the various State and Territory based geological surveys.

Australian, State and Territory Governments are significantly under investing in the acquisition of pre-competitive geoscience data. There has been a significant growth in tax revenue at all levels of government from the resources industry, however, only a small fraction is being reinvested in the acquisition of pre-competitive geoscience data to allow explorers to provide the mineral discoveries that will underpin government revenue for future generations.

AMEC notes the decline in greenfields exploration and success rates (as identified by the Australian Institute of Geoscientists), and how it is becoming harder to find mineral deposits at or near surface. The sub-surface work undertaken by the various geological survey agencies throughout Australia are therefore becoming increasingly important to industry. It is also relevant to note historically that major companies had the resources to complete broad regional surveys at the early stages of their exploration. Smaller companies have largely relied on government surveys and mapping to assist with early stage targeting and project generation. In a market that is focused on drill results it is virtually impossible for junior explorers to raise funds to complete regional data acquisition.

It should also be noted that greenfields exploration is increasingly being conducted by junior explorers. As such they have a distinct and important role in maintaining the long term pipeline of future resource projects. This move towards reliance on junior companies to complete greenfields exploration in Australia has not coincided with a commensurate increase in the acquisition of pre-competitive geoscience data by geological survey agencies. To improve future discovery rates in Queensland this under investment needs to be addressed.

AMEC therefore considers that access to comprehensive and up to date pre-competitive geoscience information is essential in encouraging mineral exploration activity within Australia and that additional and ongoing funding should be provided to the Geological Survey of Queensland.

The State and Territory Government's of Australia offer a range of collaborative exploration development programs primarily aimed at stimulating mineral exploration in under-explored 'greenfield' areas. These programs typically involve co-funding arrangements whereby government makes a financial contribution to assist industry with exploration-related expenses such as geological mapping, geochemistry, geophysics and drilling.

The successful programs that have operated with South Australia, Western Australia, New South Wales and the Northern Territory bear testament to the benefits that co-funded / collaborative drilling programs provide.

The existing Smart Mining – Future Prosperity Program in Queensland is an exploration enhancement to further stimulate mineral and petroleum investment in under-explored terrains, and should be extended (particularly the industry co-funded drilling incentive scheme), in order to further stimulate minerals exploration activities throughout Queensland, to ensure a process that caters for the State's next generation of miners, and growth potential of the State.

Review and reduce the high government fees and charges on mineral exploration activities

The following tables clearly indicate the significant fee increases incurred by the resources sector in recent times.

AMEC understands that these fee increases have been made without clear justification and should be reviewed with an intention to reduce the financial impact on small scale mineral exploration activities.

Such a review could be undertaken through the proposed Mining Industry Liaison Committee.

Table 1: Examples of the impact on resource projects

| Resource projects | 2008 | 2009 | Per cent change |
|--|---|--|---|
| 1. Single exploration permit (level 2 EAs) <ul style="list-style-type: none"> • Application fee • Annual fee • (Total) | \$100 \$0 (\$100) | \$500 \$500 (\$1,000) | ↑ 400% ↑ (↑ 900%) |
| 2. Single sandstone quarry <ul style="list-style-type: none"> • Application fee • Annual fee (single ML) • (Total) | \$4,880 (\$4,880) | \$ 500 \$33,000 (\$33,500) | ↑ ↑ 576% (↑ 586%) |
| 3. Gold mining operation <ul style="list-style-type: none"> • Application fee • Annual fees (multiple ML) • Annual fees (multiple EPMs) • (Total) | \$12,000 \$0 (\$12,000) | \$ 500 \$43,000 \$5,000 (\$48,500) | ↑ ↑ 258% ↑ (↑ 304%) |
| 4. Coal mining project <ul style="list-style-type: none"> • Application fee • Annual fees (3x ML) • Annual fees (4x MDLs) • Annual fees (11x EPCs) • (Total) | \$48,000 \$2,800 \$ 0 (\$50,800) | \$9,000 \$75,000 \$6,400 \$ 5,500 (\$95,900) | ↑ ↑ 56% ↑ 129% ↑ (↑ 89%) |
| 5. Coal seam gas operation <ul style="list-style-type: none"> • Application fee • Annual fees (5x PLs) • Annual fees (11x ATPs) • (Total) | Various Various (Various) | \$8,000 \$120,000 \$132,000 (\$260,000) | ↑ ↑ ↑ ↑ |

Table 2: Fee changes from 1 January 2009

| Environmentally Relevant Activity | Annual fee | | | |
|---|------------|-----------|-------------|----------|
| | 2008 | 2009 | \$ increase | % change |
| Copper ore mining | \$ 16,000 | \$ 43,400 | \$ 27,400 | 171% |
| Gold ore mining | \$ 16,000 | \$ 43,200 | \$ 27,200 | 170% |
| Silver lead zinc mining | \$ 16,000 | \$ 37,000 | \$ 21,000 | 131% |
| Bauxite mining | \$ 16,000 | \$ 19,400 | \$ 3,400 | 21% |
| Black coal mining | \$ 16,000 | \$ 25,600 | \$ 9,600 | 60% |
| Mining (not otherwise specified) | \$ 4,880 | \$ 27,200 | \$ 22,320 | 457% |
| Metal ore (not otherwise specified) | \$ 16,000 | \$ 31,600 | \$ 15,600 | 98% |
| Petroleum activity | Various | \$ 24,000 | n/a | n/a |
| Oil refining or processing 500-150,000 cubic m yr | \$ 5,200 | \$ 37,200 | \$ 32,000 | 615% |
| Metals processing 1,000-10,000 t/yr | \$ 3,140 | \$ 41,000 | \$ 37,860 | 1206% |
| Metals processing >10,000 t/yr | \$16,340 | \$ 63,200 | \$ 46,860 | 287% |
| Power Station - natural gas | \$ 4,420 | \$ 14,400 | \$ 9,980 | 226% |
| Power station - any other fuel | \$14,940 | \$ 30,200 | \$ 15,260 | 102% |
| Construction of transmission pipeline | \$ 3,390 | \$ 33,400 | \$ 30,010 | 885% |
| Geological capture of carbon dioxide | \$ - | \$ 10,000 | \$ 10,000 | new fee |
| Mining projects: bulk sampling, investigation | \$ 3,960 | \$ 3,400 | -\$ 560 | -14% |
| Mining projects: drilling surveys | \$ 700 | \$ 1,600 | \$ 900 | 129% |
| Exploration (Level 2 Mining) | \$ - | \$ 500 | \$ 500 | new fee |

APPENDIX 1

About AMEC

The Association of Mining and Exploration Companies (AMEC) is the peak national body representing over 300 mining, mineral exploration and service industry companies operating throughout Australia, with a focus on mid-tier and junior companies.

AMEC's strategic objective is to secure an environment that fosters mineral exploration and mining in Australia in an economically, socially and environmentally responsible manner.

Industry structure throughout Australia

The resources industry in Australia is made up of approximately 2,500 companies (listed and unlisted); comprising:

A handful of major conglomerates that dominate market share;

A relatively smaller number of mid-tier and emerging miners; and

Many junior exploration companies represent a significant proportion (in numbers) of the industry.

It is not unusual for the "exploration to production" cycle to cover a timeframe of 7 to 10 years, subject to the size of the deposit; nature and complexity of the mine; extent and challenges of land access; and approval and licensing barriers that are encountered during the whole process (including significant time and resources devoted to cultural heritage, native title and environmental protection and biodiversity conservation matters).

In addition, the rate of discovery is low, to such an extent that the "probability of finding an economic deposit on any piece of ground is 1/100, whereas one that is of world class is 1/1000".¹

Prior to commencing exploration activities a company normally raises funds for the proposed project by way of equity financing (such as domestic or foreign investors, retail investors, superannuation funds etc). In many instances there is a mix of equity / joint ventures and, in the case of exploration success, the potential for debt financing in order to fund a project / company.

Minerals exploration is therefore considered to be a long term high risk activity, where exploration companies "aspire" to become successful miners after many years of activity and at significant cost – invariably many millions of dollars.

On the rare occasion that an exploration company is able to become a mining company and start producing product for sale, the resultant income then becomes subject to Federal income tax and State / Territory royalty processes.

Industry contribution to the nation

The minerals exploration sector underpins the sustainability and growth of the mining industry, which is considered by many to be the 'engine room' of the Australian economy.

The Australian minerals industry is among the top five producers of the world's key mineral commodities. Australia is the world's largest exporter of black coal, iron ore, alumina, lead and zinc and the second largest exporter of uranium².

¹ Gold & Minerals Gazette, August 2008 – page 4

The importance of mining is self evident, noting that it contributes³:

- 8% of Australia`s gross domestic product (GDP),
- about 50% of Australia`s exports,
- 160,000 jobs, and over 500,000 in indirect employment in hundreds of service industries,
- over \$21 billion in State/Territory and Federal taxes, including \$7 billion in royalty payments.

It also provides a number of other economic and social dividends in remote regional and community areas.

Although the Australian mining sector has experienced significant growth over the past 30 years, Australia still faces strong competition from other resource rich continents, such as America, Africa and Asia. It should be noted that most of the growth has been as a result of expanding or developing mineral discoveries made over 20 years ago.

Industry contribution to the Queensland economy

The minerals industry makes a significant contribution to the Queensland economy, as follows:

- Value of production is approximately \$50.1 billion in 2008-09,
- Royalty payments of \$3.342 billion in 2009,
- Direct employment of over 51,600 people in 2010,
- Exploration expenditure of \$915 million in 2009-10,
- Significant 'social dividends', including indigenous education and training, and partnership programs),
- Training and employment opportunities,
- New project development,
- Rural, regional and community development,
- Public and private infrastructure (roads, railways, ports, power, accommodation),
- Financial and other support to a number of charitable, welfare, community and sporting organisations,
- Technology innovation and research and development,
- Environmental protection and biodiversity conservation initiatives,
- Environmental research and data collection of threatened, protected and previously unidentified species of flora and fauna,
- Aboriginal cultural heritage protection, and
- Native title and cultural heritage payments to traditional owners, communities and stakeholders.

² Australian Parliamentary Library – The Australian Resources Sector – 23 September 2010

³ Extracted from ABS, ABARE and DRET statistics